

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15 EB-07

COME-00 AGR-10 AID-05 OMB-01 TRSE-00 /089 W

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R 041855Z AUG 75

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 7655

INFO AMEMBASSY TEGUCIGALPA

UNCLAS GUATEMALA 4122

PASS AGRIC./FAS

E.O. 11652: N-;A

TAGS: EAGR, GT

SUBJECT: CORN SHORTAGE BECOMES A CRISIS

REF: A. GUATEMALA 4005

B. GUATEMALA 4051

C. GUATEMALA 3734

SUMMARY: AS THE SUPPLY OF CORN IN GOG HANDS RAPIDLY APPROACHED ZERO THIS WEEK, AND AS THE GOVERNMENT CONTEMPLATED THE SPECTER OF UNREST FROM A CORN-EATING POPULATION, THE ADMINISTRATION ACTED TO AVERT SUCH A POSSIBILITY. BOTH THE MINISTER OF AGRICULTURE AND THE DIRECTOR OF INDECA, THE GOG STABILIZATION AGENCY WHICH DISTRIBUTES GRAIN TO LOW-INCOME PEOPLE AT SUBSIDIZED PRICES, WERE RELIEVED OF THEIR JOBS. IT WAS DECREED ALSO THAT GRAINS MAY BE IMPORTED, TRANSPORTED, AND SOLD WITHOUT RESTRICTION, AND THE PRESS WAS ASSURED DAILY THAT THE CORN SHORTAGE IS ABATING.
END SUMMARY

1. AS THE EXTENT OF THE MINISTRY OF AGRICULTURE'S MISJUDGEMENT AND PROBABLE MISMANAGEMENT OF CORN SUPPLIES BECAME APPARENT THROUGH VIRTUAL EXHAUSTION OF THE GRAIN AVAILABLE FOR SALE TO LOW-INCOME PERSONS WILLING TO STAND IN LINE TO
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BUY IT, HEADS BEGAN TO ROLL. PRESIDENT LAUGERUD ACCEPTED

THE RESIGNATION OF HIS HONEST BUT INEFFECTIVE MINISTER OF AGRICULTURE, DR. ROBERTO ZACHRISSON, WHO CONTINUED TO PRACTICE MEDICINE WHILE WRESTLING WITH APPROACHING CATASTROPHE (REF. A), AND IMMEDIATELY APPOINTED GENERAL FAUSTO DAVED RUBIO CORONADO, EX-MINISTER OF DEFENSE, TO REPLACE HIM (REF. B). ING. ROMEO SAMAYOA, HEAD OF INDECA (NATIONAL INSTITUTE OF AGRICULTURAL MARKETING) WAS FIRED, AND HIS SECOND-IN-COMMAND, COLONEL (RET.) ENRIQUE RUATA ASTURIAS, WAS NAMED INTERIM DIRECTOR. SAMAYOA HAD PLEADED ILLNESS WHEN SUMMONED TO APPEAR BEFORE A CONGRESSIONAL COMMITTEE INVESTIGATING CHARGES OF MISMANAGEMENT AND PERHAPS CORRUPTION AT INDECA.

2. INDECA NOMINALLY A SUB-AGENCY OF MINAG, BUT IT

OPERATES QUITE INDEPENDENTLY UNDER THE EYE OF A MINISTERIAL-LEVEL COMMISSION. IT REGULATES FOREIGN TRADE IN FARM PRODUCTS, AND IT ALSO DISTRIBUTES GRAINS FROM SEVERAL HUNDRED EXPENDIOS AT SUBSIDIZED LOW PRICES. CORN IS SOLD FOR ABOUT FIVE CENTS A POUND WITH A MAXIMUM OF TEN POUNDS PER CUSTOMER. LINES OF BUYERS HAVE LENGTHENED IN RECENT WEEKS AS CORN PRICES ON THE OPEN MARKET SOARED TO THE HIGH TEENS AND SUPPLIES WERE REPORTED TO BE DRYING UP. CONTINUAL PRESS COVERAGE EXACERBATED THE FEAR OF SHORTAGE AND SENSE OF PANIC.

3. EMBASSY SOURCES ESTIMATED THAT INDECA(S CORN STOCKS, WHICH ARE DISAPPEARING AT THE RATE OF ABOUT 800 TONS A DAY, WILL BE EXHAUSTED BY AUGUST 2. JULY 31 NEWSPAPERS ANNOUNCED THAT A LOAN OF 5,000 METRIC TONS OF CORN FROM NEIGHBORING EL SALVADOR WILL START ARRIVING AUGUST 1. THE FIRST INSTALLMENT OF 23,000 TON PURCHASE FROM THE US IS EXPECTED TO DOCK NO EARLIER THAN AUGUST 4; SOME OF THIS TOTAL WILL BE USED TO REPAY THE SALVADORAN LOAN.

4. MEANWHILE, THE GOG TRIES TO EASE PUBLIC APPREHENSION WITH ASSURANCES OF THE IMMINENT ARRIVAL OF THE 23,000 TONS OF CORN AND WITH GLOWING PREDICTIONS OF RECORD CORN CROP TO BE HARVESTED BEGINNING IN SEPTEMBER.

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5. THE GOG DECREED JULY 24 THAT CORN COULD BE TRANSPORTED FREELY AND SOLD AT ANY PRICE WITHIN GUATEMALA. THIS WAS INTENDED NOT SO MUCH TO AUTHORIZE FREE MOVEMENT AS TO INSIST UPON IT; SOME OUTLYING COMMUNITIES HAD PROHIBITED THE SHIPMENT OF THEIR CORN TO THE BIG POPULATION CENTER OF GUATEMALA CITY AND ENVIRONS.

6. DESPERATE GOG EFFORTS TO INCREASE CORN PRODUCTION HAVE

COME TOO LATE TO AVERT THE CURRENT SHORTARE, AND IMPORTS
WERE NOT SCHEDULED EARLY ENOUGH TO COPE WITH IT. GUARANTEED
PRICES TO CORN PRODUCERS HAVE BEEN JACKED UP TO NEW HIGH LEVELS,
AND THE GOG HAS RECENTLY RE-EMPHASIZED THE
PENALTIES THAT WILL FOLLOW PRIVATE CORN STORAGE FOR
COMMERCIAL PURPOSE.
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